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TOURISM BRITISH COLUMBIA

CANADA

**Tourism British Columbia**
**Annual Report**
**2003/04**

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**Honourable John Les**
**Minister of Small Business and Economic Development**
**Minister Responsible for Tourism British Columbia**

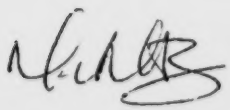
**Dear Minister,**

On behalf of the Board of Directors, senior management and employees, it is my privilege to submit the annual report of Tourism British Columbia for the year ended March 31, 2004. The annual report was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the contents of the report, including the selection of performance measures and the reported results. All significant decisions, events and identified risks, as of June 1, 2004, have been considered in preparing the report.

Over the last few years, world events have demonstrated how important tourism is to economies around the world. Nowhere is this more evident than in British Columbia. Despite challenges ranging from global unrest, SARS and airline industry instability, the industry in British Columbia appears poised to return to growth, and move closer to achieving its true potential. As our industry has clearly indicated, it is a critical time to be aggressively marketing British Columbia, as we face uncertainty and intense competitive pressures.

Given Tourism British Columbia's mandate to promote development and growth within the tourism industry, I am particularly proud of the organization's performance in the past year, and continuing response to industry's needs. I am not alone in my regard for Tourism British Columbia's programs and services, as the latest stakeholder survey results clearly indicate that the industry is very satisfied with the model they created with government. In particular, I would like to give credit to the corporation for achieving efficiencies that resulted in $2 million in cost savings.

I would like to offer my thanks to all staff and my fellow board members for their contributions to the successes of the corporation in this past fiscal year.



**Michael Duggan**
Chair, Board of Directors

## PRESIDENT'S MESSAGE

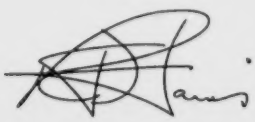
2003 was a defining year for the tourism industry in British Columbia. A decline of 3.2% in visitation to 21.9 million visitors and reduction in industry revenues to $8.95 billion is attributed to extraordinary events such as SARS, wildfires and the war in Iraq. Until these impacts occurred, the province was targeting growth after two challenging years following the impacts of September 11, 2001.

Despite a downturn in 2003, the industry's strong and diverse product base continued to be desirable. It was an important year because the 2010 Olympic and Paralympic Winter Games were confirmed for Vancouver and Whistler. Mindful that two-thirds of the economic benefits related to hosting the Games will come from tourism activity throughout the province, Tourism British Columbia has been working with the provincial government and partner organizations to ensure that marketing plans are in place well in advance of hosting the world.

Success, under the trying conditions of this past year, was accomplished through integration of programs and activities across the tourism marketing cycle, with the help of our many industry partners.

Early projections for 2004 indicate a return to growth. Demand for the *Super, Natural British Columbia*[®] destination continues to be strong and the marketing efforts supporting the brand are proving effective.

I would like to offer my personal gratitude to our industry partners, our Board of Directors and our staff for their contribution in maintaining British Columbia's tourism success.



**Rod Harris**
President and Chief Executive Officer

# ORGANIZATION OVERVIEW

Tourism British Columbia is a Crown corporation that operates under the direction of an industry-led Board of Directors and is responsible for marketing the *Super, Natural British Columbia*® brand to the world.

Tourism British Columbia's vision is to be a recognized world leader in tourism destination management. The organization works cooperatively with industry partners to promote the development and growth of British Columbia's tourism industry and ensure its long-term success. Tourism British Columbia's mission is to exceed our customers' expectations by providing leadership and programs that ensure the success of the British Columbia tourism industry, resulting in a quality visitor experience.

Tourism British Columbia's corporate values are:

**Integrity** – what we bring as individuals;
**Enthusiasm** – what we portray;
**Teamwork** – how we work together; and
**Progressive** – what we strive for.

Tourism British Columbia is recognized throughout the world as a marketing success story. The Province supports Tourism British Columbia's distinct role in managing all elements of tourism marketing, as articulated in legislation. This includes the managing of key partnerships throughout the tourism marketing system, including city and regional destination marketing agencies, communities and sectoral organizations.

Tourism British Columbia has been marketing the province to potential visitors since 1926, with the creation of the first official accommodation guide, which is still a significant promotional resource today. In more recent years, Tourism British Columbia was established as a Crown corporation when the *Tourism British Columbia Act* was passed by the British Columbia legislature in June 1997. Tourism British Columbia is structured to function as a professional marketing organization, with business units strategically focused across the consumer purchase cycle.

The unique needs of the British Columbia tourism industry have led to the model of corporate governance for Tourism British Columbia. Each of the members of the Board of Directors in the corporation is an active participant in tourism, bringing the skills, knowledge and experience needed to support the industry's long-term development. In addition, the Board has diverse representation spanning the various regions and tourism sectors throughout the province.

Funding for Tourism British Columbia is based on a percentage of the provincial Hotel Room Tax, with revenues increasing or decreasing with the tourism sector.

## Tourism British Columbia Purpose

As prescribed by the *Tourism British Columbia Act*, the corporation's purpose is "to promote development and growth in this vital sector, to increase revenues and employment throughout British Columbia, and to increase the economic benefits generated by the tourism industry".

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**Tourism British Columbia Mandate**

The corporation is responsible for:

- Marketing British Columbia as a tourism destination
- Providing information services for tourists
- Encouraging enhancement of standards of tourist accommodation, facilities, services and amenities
- Enhancing professionalism in the tourism industry
- Encouraging and facilitating the creation of jobs in the tourism industry
- Collecting, evaluating and disseminating information on tourism markets, trends, employment, programs and activities and on availability and suitability of infrastructure and of services that support tourism activities
- Generating additional funding for tourism programs

How Tourism British Columbia works towards achieving these goals is contained in the *Report on Performance* section of this Annual Report.

## ALIGNMENT TO GOVERNMENT'S STRATEGIC PLAN

The Tourism British Columbia Board of Directors and staff, in partnership with the British Columbia tourism industry, develop and deliver programs and activities that support government's commitment to "stimulate tourism with a plan to improve operators' ability to successfully compete for visitors from around the world". This goal was identified within the government's strategic plan.

Recognizing the provincial government's role in developing policies that support a competitive business climate including the Ministry of Small Business and Economic Development's lead role in intergovernmental affairs and tourism infrastructure development, Tourism British Columbia continues to undertake initiatives that relate to those priorities that fall within the legislated mandate of the organization. Among the highlights are:

- Undertaking the development and implementation of technology-based solutions to give the consumer easy and immediate access to tourism product information through a new online marketing initiative.
- Assisting several emerging sectors which will lead to the development of stronger export-ready tourism product.

To fulfill the goal of increasing British Columbia's share of the world tourism market, Tourism British Columbia is guided by the following priorities:

- Achieve excellence in marketing by building on the equity of the world-recognized *Super, Natural British Columbia*® brand
- Explore and develop emerging markets
- Maximize efficiency and effectiveness of operations
- Maximize use of technology to better enable business activities
- Demonstrate value for money in program activities
- Cultivate a "values-based" corporate culture

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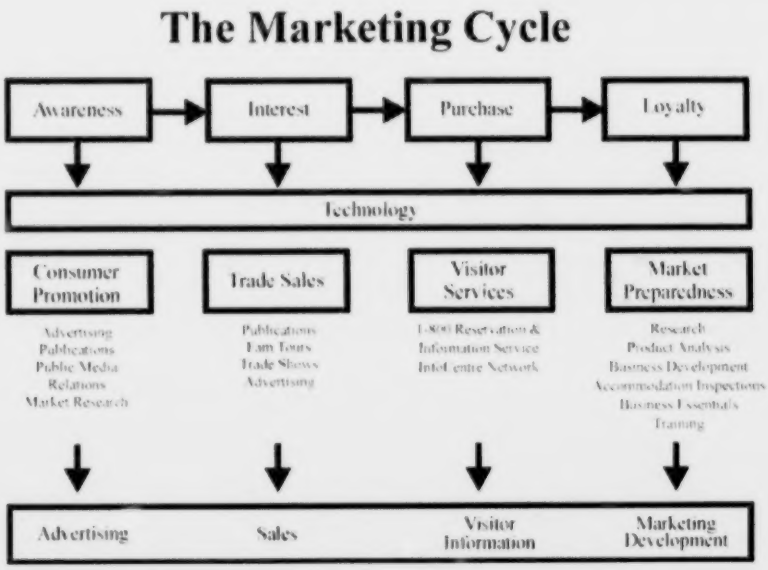
## PROGRAMS

All stages of the marketing cycle are addressed in achieving corporate goals, as determined by the mandate under the *Act*.




With its private sector and industry partners, the organization embraces a consumer-driven approach to marketing, helping industry bring the right products and services to market – at home and abroad.

Tourism British Columbia's integrated business units are:

### Advertising and Promotion

The Advertising and Promotion team works with industry partners to develop and deliver cost effective consumer and trade marketing programs. Tourism British Columbia's programs are designed to satisfy the various consumer interests and purchasing behaviour exhibited in core North American and overseas markets. In building these diverse activities, the overriding goal is to build tangible business results for the tourism industry throughout the province.

### Visitor Servicing and Sales

Visitor Servicing and Sales works directly with visitors and industry to provide information fulfillment and product sales and to promote increased travel. This includes a commitment to quality assurance through the enhancement of standards for facilities, services and amenities, and a similar commitment to long-term professional development programs for the tourism workforce.

### Marketing Development

Marketing Development identifies, researches and implements programs for the corporation that help maximize the overall efficiency of the organization and industry. Included in this division are Corporate Communications, Industry Development, and British Columbia Magazine. The division works closely with all areas of the corporation and with industry stakeholders, providing a valuable connection as many new and existing tourism opportunities evolve.

### Corporate Services

Tourism British Columbia is strongly committed to disciplined management practices and accountability, through the development and implementation of efficient and effective financial, administrative and information systems, including performance measures.

### Human Resource Development

Human Resource Development enables the corporation to achieve outstanding business results through a variety of business-focused and family-responsive policies, programs and initiatives. The corporation places an emphasis on performance achievement, recognizing strengths and opportunities, and actively promotes feedback at all levels of the corporation.

### BENCHMARKING

To ensure ongoing improvement to corporate performance, Tourism British Columbia has developed administrative benchmarks and is working towards establishing program related benchmarks against similar organizations.

## THE YEAR IN REVIEW

Due to the diversity of tourism products and experience available throughout British Columbia, Tourism British Columbia's Research Unit tracks a number of key indicators to determine overall industry performance each year. A cornerstone of this research is the tracking of customs entries data, which describes activity from British Columbia's primary international markets. The percentage shown indicates the increase or decrease in entries over calendar year 2002.

Final statistics for 2003 show that overnight entries from the United States were down 7.7% for the year, with Asia/Pacific down 20.1% and Europe up slightly by 0.5%. Overall, overnight customs entries from all international markets were down 9.0% from the previous year.

| Provincial Indicators | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Total 2003 | Canada Total 2003 |
|---|---|---|---|---|---|---|
| **U.S. Overnight Customs Entries** | **595,670** | **863,703** | **1,458,924** | **577,089** | **3,495,386** | **14,166,408** |
| % change | (3.6%) | (11.8%) | (6.5%) | (8.3%) | (7.7%) | (12.4%) |
| **Asia/Pacific Overnight** | **139,591** | **143,344** | **254,503** | **154,697** | **692,135** | **1,072,363** |
| % change | (5.6%) | (38.6%) | (19.1%) | (9.3%) | (20.1%) | (23.4%) |
| Japan | 42,169 | 34,769 | 58,559 | 47,583 | 183,080 | 262,182 |
| % change | (5.6%) | (50.2%) | (42.9%) | (16.0%) | (33.1%) | (39.9%) |
| Taiwan | 11,470 | 7,802 | 26,410 | 17,064 | 62,746 | 68,224 |
| % change | (23.5%) | (73.1%) | (21.5%) | (10.7%) | (35.1%) | (35.1%) |
| Hong Kong | 13,945 | 11,968 | 26,547 | 13,860 | 66,320 | 91,632 |
| % change | (21.9%) | (43.1%) | (16.5%) | (12.0%) | (23.3%) | (23.3%) |
| Australia & New Zealand | 23,862 | 34,905 | 40,442 | 22,431 | 121,640 | 181,498 |
| % change | 12.0% | 14.6% | 4.5% | (5.1%) | 6.6% | (3.8%) |
| South Korea | 20,182 | 19,918 | 42,928 | 19,994 | 103,022 | 138,563 |
| % change | 0.5% | (24.3%) | 3.4% | 8.0% | (3.2%) | (8.5%) |
| China | 13,736 | 10,700 | 23,337 | 15,956 | 63,729 | 76,475 |
| % change | 4.2% | (40.8%) | (18.1%) | (8.5%) | (17.4%) | (20.5%) |
| **Europe Overnight** | **62,343** | **112,071** | **169,301** | **58,257** | **401,972** | **1,813,218** |
| % change | (3.0%) | 3.3% | 2.1% | (5.2%) | 0.5% | (10.2)% |
| United Kingdom | 36,499 | 57,509 | 76,347 | 32,041 | 202,396 | 708,092 |
| % change | (5.4%) | 4.0% | 4.3% | (1.8%) | 1.4% | (5.5%) |
| Germany | 8,441 | 20,721 | 36,676 | 8,526 | 74,364 | 260,247 |
| % change | 2.7% | 4.4% | 4.2% | (13.6%) | 1.7% | (12.0%) |
| Netherlands | 3,574 | 9,133 | 14,157 | 3,743 | 30,607 | 104,283 |
| % change | 19.3% | 7.5% | 10.9% | (3.8%) | 8.7% | (3.2%) |
| Switzerland | 2,215 | 4,115 | 7,517 | 2,117 | 15,964 | 82,467 |
| % change | 10.1% | 16.2% | 1.2% | 4.5% | 6.4% | (7.3%) |
| France | 1,591 | 2,632 | 5,593 | 1,889 | 11,705 | 276,672 |
| % change | 5.6% | (15.5%) | (6.7%) | 2.6% | (6.0%) | (11.9%) |
| **Total Overnight Customs Entries** | **807,892** | **1,140,745** | **1,921,966** | **803,426** | **4,674,029** | **17,468,336** |
| % change | (4.2%) | (14.8%) | (7.5%) | (8.2%) | (9.0%) | (12.9%) |

*Data Source: Stats Canada. Data subject to ongoing revision from suppliers.*

## Other Tourism Industry Performance Indicators

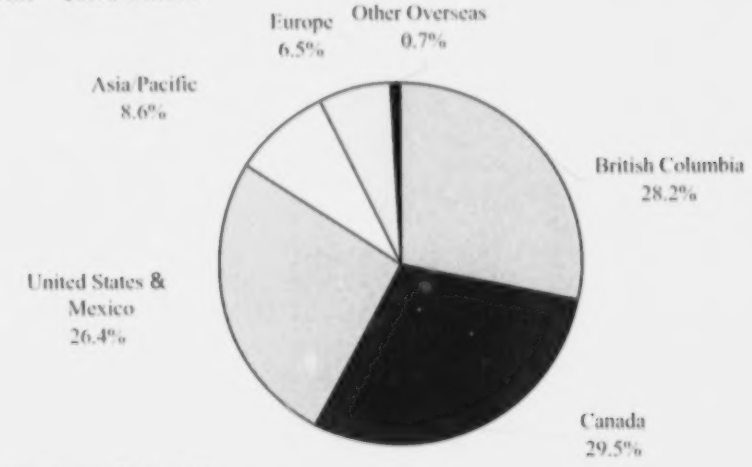
Given the wide variety of businesses directly linked to tourism, performance is best measured by cross-referencing a number of indicators that relate to overall tourism activity.

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Total 2003 |
|---|---|---|---|---|---|
| **Accommodation Room Revenue ($'000s)** | **$335,826** | **$352,915** | **$531,281** | **$266,013** | **$1,486,034** |
| *% change* | 3.2% | (5.2%) | (2.9%) | 1.7% | (1.3%) |
| **Provincial Occupancy Rate** | **51.9%** | **59.4%** | **72.3%** | **49.6%** | **58.2%** |
| *% change* | 1.1% | (4.7%) | (2.0%) | 3.4% | (1.4%) |
| **Provincial Average Daily Room Rate** | **$117.66** | **$113.68** | **$127.13** | **$101.59** | **$114.64** |
| *% change* | 1.0% | (3.3%) | (2.7%) | (1.4%) | (2.9%) |
| **Commercial Restaurant Receipts ('000s)** | **$1,225,692** | **$1,303,230** | **$1,486,350** | **$1,375,226** | **$5,390,498** |
| *% change* | 1.0% | 0.6% | 10.0% | 10.8% | 5.7% |
| **Vancouver Int'l Airport - Passenger Volume** | **3,307,732** | **3,284,713** | **4,392,593** | **3,336,466** | **14,321,504** |
| *% change* | 0.2% | (12.1%) | (2.8%) | 0.5% | (3.7%) |
| **BC Ferries - Passenger Volume** | **4,028,938** | **5,386,821** | **7,534,504** | **4,385,713** | **21,335,976** |
| *% change* | 2.1% | (0.9%) | 0.0% | (5.2%) | (0.9%) |
| **Coquihalla Highway** | **357,841** | **679,346** | **970,344** | **458,913** | **2,466,444** |
| *% change* | (1.5%) | 4.8% | (5.5%) | (4.4%) | (2.1%) |
| **Fishing Lodges (room revenue)** | **$581,940** | **$5,037,979** | **$11,555,452** | **$1,147,863** | **$18,373,234** |
| *% change* | (0.5%) | 1.2% | 8.3% | (4.5%) | 5.1% |
| **Provincial Visitor Info Centres - # parties** | **150,992** | **400,049** | **822,034** | **178,727** | **1,551,802** |
| *% change* | (6.3%) | (3.8%) | (1.6%) | 6.7% | (1.8%) |

*Data Sources:*
*BC Stats, Pannell Kerr Forster Inc., Stats Canada, Vancouver International Airport Authority, BC Ferries, Ministry of Transportation, Tourism BC*

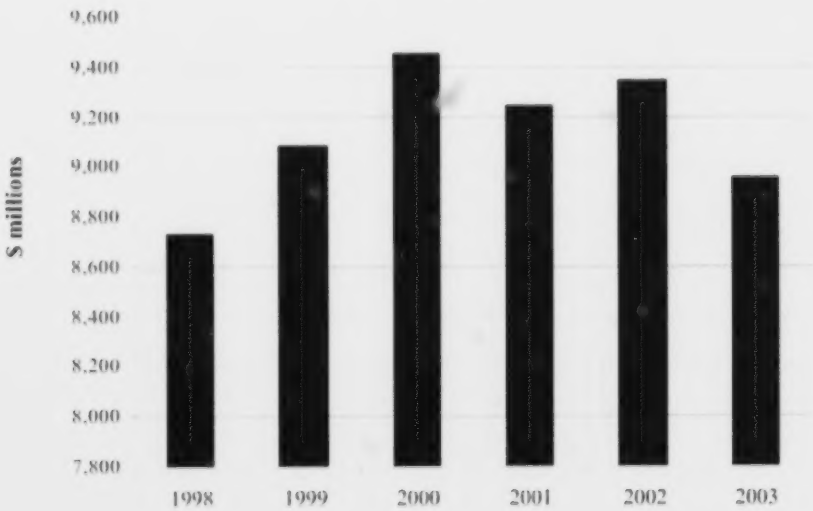
## Industry Revenue*

**2003 Visitor Revenue to BC**
**Total = $8.95 billion**




*Data Source: Tourism BC*

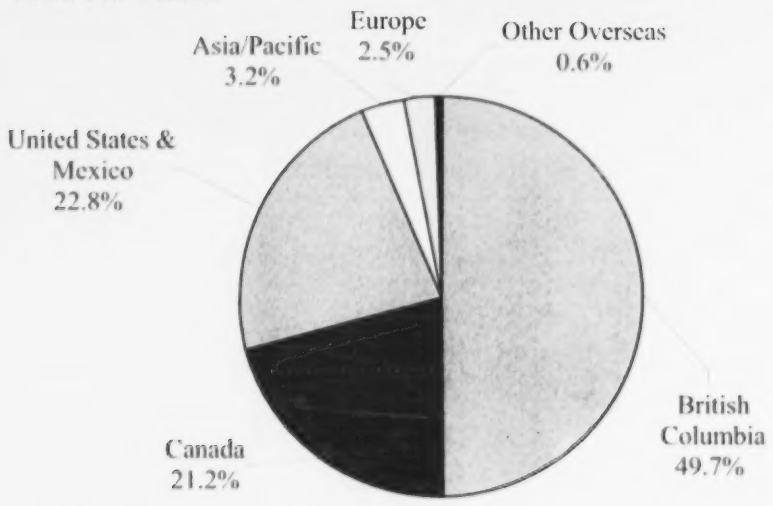
**Overnight Visitor Revenue to BC 1998 - 2003**




* 2003 revenue numbers are preliminary estimates subject to adjustment pending revisions to the underlying data.

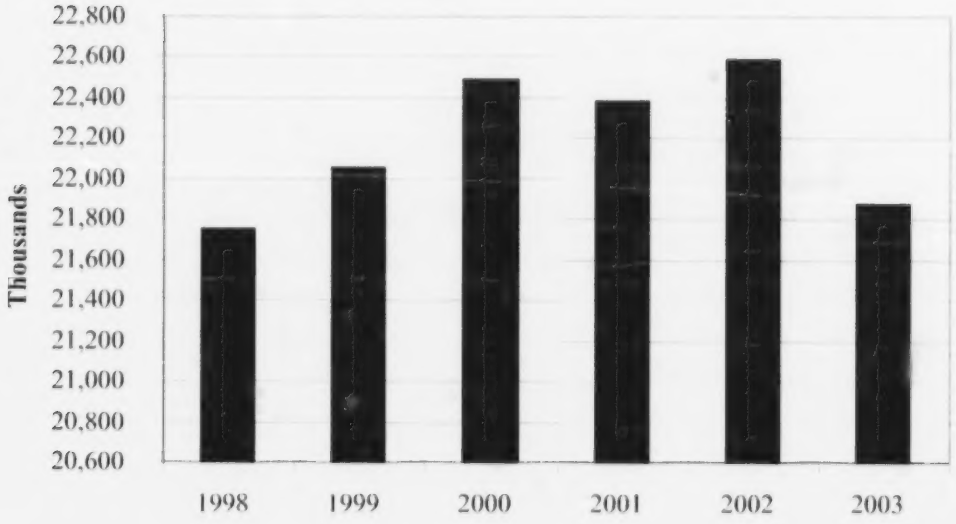
## Visitation*

**2003 Overnight Visitor Volume to BC**
**Total: 21.9 million**




*Data Source: Tourism BC*

**Overnight Visitor Volume to BC 1998 - 2003**

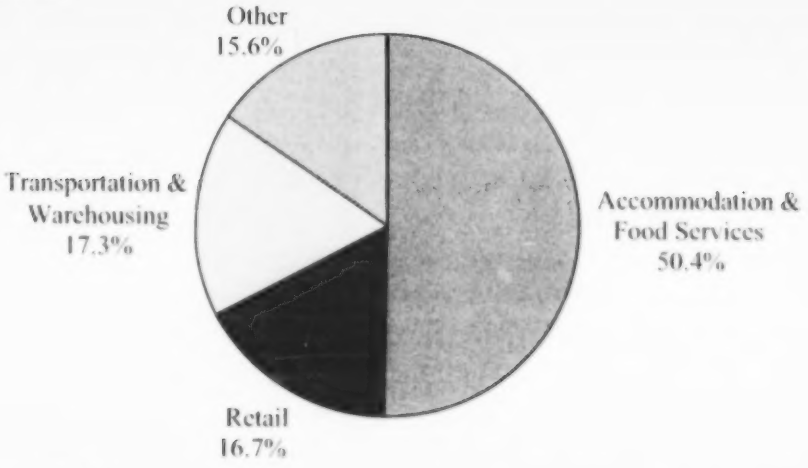



*Data Source: Tourism BC*

* 2003 visitation numbers are preliminary estimates subject to adjustment pending revisions to the underlying data.

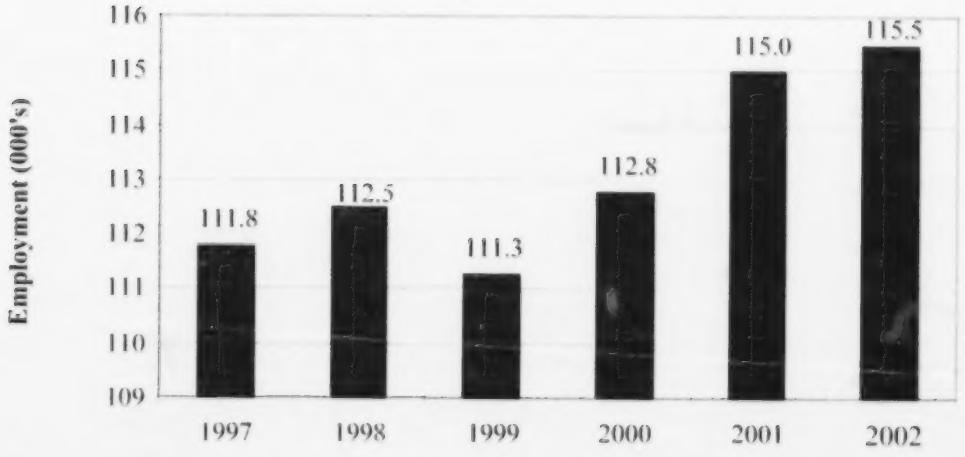
## Employment

**2002 Tourism Employment by Industry Sector**
**Total: 115,460**




*Data Source: BC Stats*

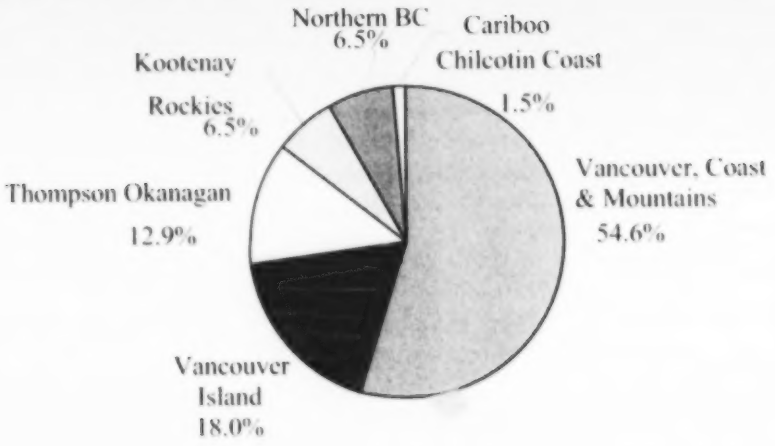
**Growth in Tourism Employment 1997- 2002**




*Data Source: BC Stats*

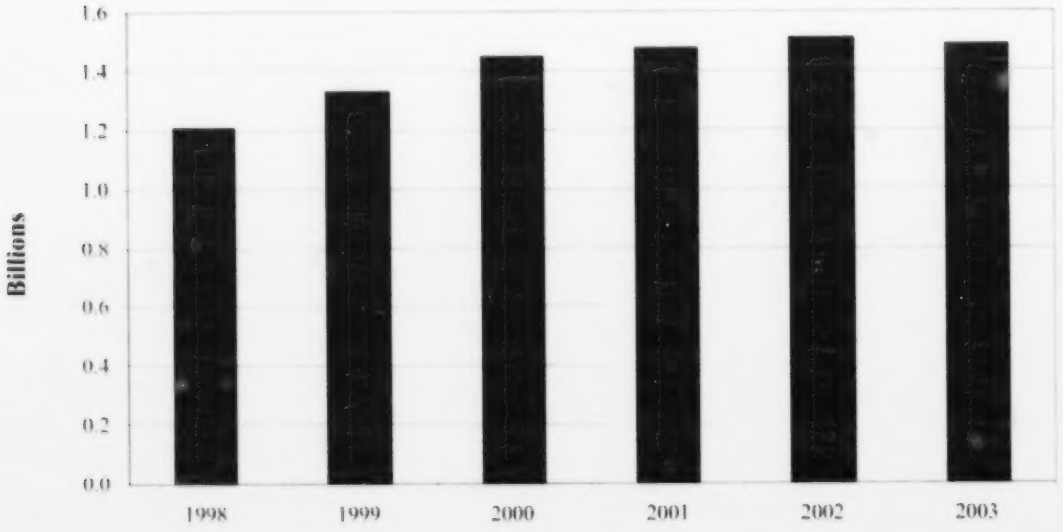
## Accommodation Revenue

**2003 Room Revenue by Tourism Region**
**Total: $1.5 Billion**




*Data Source: BC Stats*

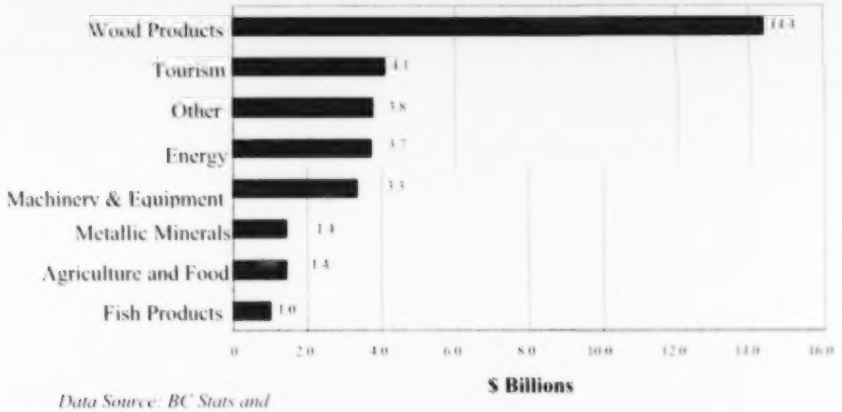
**Annual Accommodation Room Revenue 1998-2003 ($)**




*Data Source: BC Stats*

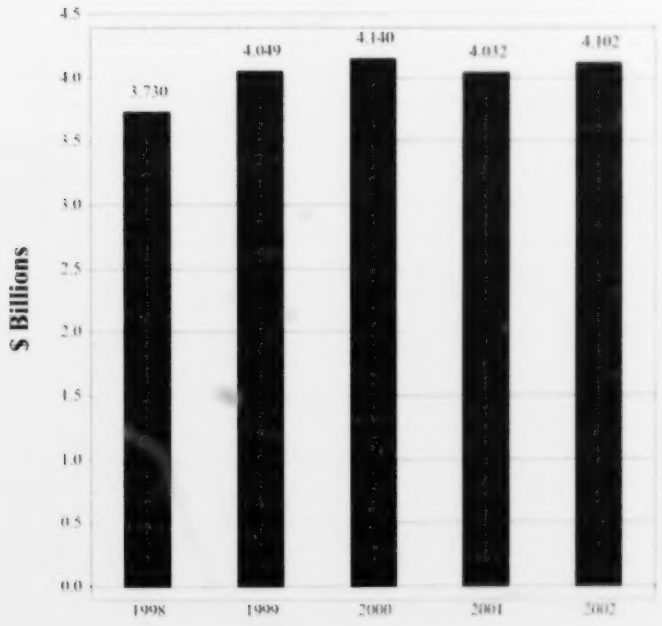
## British Columbia Exports

### 2002 BC Exports (Current $ Billions)




*Data Source: BC Stats and*

### Total Tourism Exports 1998 - 2002 (Current $ Billions)




*Data Source: Tourism BC*

# REPORT ON PERFORMANCE

## Corporate Highlights 2003/04

Tourism British Columbia is proud of the many corporate accomplishments in the past fiscal year. Some notable achievements are:

### Stakeholder Survey Results

Tourism British Columbia enlisted a third-party company to conduct an annual survey of British Columbia tourism stakeholders regarding satisfaction with the organization's programs and services. The overall score for 2004 was 3.94 (out of 5.0), a 2.15% increase over the 2003 score, and was the best result in the six years of the survey.

### BC Escapes®

In 2003, the ***BC Escapes®*** program saw 10,224 bookings, and total visitor parties of 20,696. The resulting revenue was $51 million in direct spending, which reflected a nearly 12:1 ROI ratio for the program. Now in its seventh year, the highly successful cooperative marketing program has generated over 300,000 inquiries and over $274 million in direct bookings since the inaugural campaign in 1998. Tourism British Columbia's partners in the ***BC Escapes®*** program include Tourism Vancouver, Tourism Victoria, Tourism Whistler, Tourism Alliance of Western Canada, Western Economic Diversification and various tourism-related businesses.

### 2010 Bid Support

Tourism British Columbia was proud to be a contributor to the winning bid to host the 2010 Olympic and Paralympic Winter Games. Our organization supplied strategic resources that helped increase awareness of British Columbia in the international marketplace, while also building support throughout the tourism industry. In conjunction with the Bid announcement, a 2010 media tour was conducted, in addition to the development and distribution of broadcast-quality video and other tourism media relations activity throughout North America and overseas. These proved to be very successful, achieving an advertising equivalency of $2.2 million. Tourism BC continues to lead in the development of a long-term tourism strategy with provincial tourism partners including the Ministry of Small Business and Economic Development.

### Rendez-vous Canada

On the heels of the breakout of war in Iraq and the SARS crisis, British Columbia played host to Rendez-vous Canada (RVC), the largest international tourism trade event in the country. Most importantly, 1,554 delegates attended, standing as the second highest participation in RVC history. In addition, at the Special Events Show held in Las Vegas, "BC Night" won the award for "Best Event produced for a corporation or association".

### Canada's West Marketplace®

The 16th Annual *Canada's West Marketplace* travel trade show (CWM™) saw more than 650 tourism professionals participating in over 25,000 business appointments at Whistler, BC in December, 2003. *CWM™* is the largest tourism trade show in Western Canada, and has proven to be an excellent way for tourism businesses to promote their products to tour operators, wholesalers and travel media representatives from Europe, Asia/Pacific, and North and South America.

**Rails-to-Trails**
On behalf of 20 communities and four regional districts, Tourism British Columbia applied to the Softwood Industry Community Economic Adjustment Initiative (SICEAI) for funding to convert British Columbia rail beds into marketable trails for increased tourism activity. The application was approved in March, 2004.

**IAGTO Award**
In November, 2003, British Columbia was awarded the top "2004 Undiscovered Golf Destination in the World" award, presented by the International Association of Golf Tour Operators (IAGTO). Selected over other locations such as Oregon, Costa Rica, Austria, Kenya, Sri Lanka, Sweden, Pennsylvania, Gran Canaria, Spain and the Gold Coast of Australia, the award has resulted in excellent media coverage worldwide and new attention for British Columbia's golf offerings.

**Business Essentials**
In conjunction with Legacies Now, Marketing Development launched a new Sport Tourism Business Essentials Guide to provide useful information about bidding for and hosting sporting events. It complements the series of Guides, which provide detailed information on subjects such as starting a tourism business to tourism law. In addition, 450 participants attended Business Essentials workshops held by Tourism BC in locations throughout the province.

## Performance against goals and objectives

***Goal 1:*** ***Position British Columbia as a preferred travel destination to consumers and the travel trade.***

| Program/ Activity | Objectives/ Strategies | Measures | Performance | | | |
|---|---|---|---|---|---|---|
| | | | 2002/03 Results | 2003/04 Target | 2003/04 Results | Comments |
| *BC Escapes*®, 2003 | Generate get away business to British Columbia in spring and summer by offering specially priced packages to high potential markets. | Investment budget. | $5.6 million | $4.3 million | $4.3 million | Met spring 2003 targets despite Iraq War and SARS (campaign suspended for two weeks at onset of Iraq conflict). |
| | | Tourism revenues generated. | $70.3 million | $50 million | $51 million | |
| | | Number of inquiries (000s). | 78 | 50 | 59 | |
| | | Number of bookings (000s). | 13 | 8 | 10 | |
| Tourism Partners | Support regional and sector focused marketing activities such as advertising, publications, consumer and trade shows, and provide cooperative marketing opportunities to businesses. | Number of businesses participating. | 1,040 | 1,000 | 1,050 | Consumer travel information distributed through multiple channels including publications and websites. |
| | | Number of consumer travel guides distributed. | 1.6 million | 0.9 million | 0.92 million | |

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| Program/ Activity | Objectives/ Strategies | Measures | Performance | | | |
|---|---|---|---|---|---|---|
| | | | 2002/03 Results | 2003/04 Target | 2003/04 Results | Comments |
| Tour Operators | Maintain British Columbia's position with the travel trade through educational programs, cooperative marketing campaigns, familiarization tours and sales calls. | British Columbia's share of Canadian tours in key tour operator brochures. | North America 41%<br>Europe 41%<br>Asia/Pacific 71% | North America 40%<br>Europe 40%<br>Asia/Pacific 60% | North America 39%<br>Europe 42%<br>Asia/Pacific 65% | Operators in Asia were less inclined to feature traditional tours which included Niagara Falls (via Toronto) due to SARS, allowing for more space for BC brochures. |
| 2010 Olympic Bid | Build awareness of the 2010 Olympic Bid and industry-related opportunities. | Total of DMOs, communities and tourism associations. | n/a | 25 communities, 10 DMOs 3 associations. | 35 communities, 10 DMOs, 3 associations consulted. | Tourism BC contributed multi-media materials that were key elements of the final Bid presentation in Prague. |
| | Build public support through provincial and regional DMOs, tourism associations and communities. | Equivalent dollar value of unpaid editorial coverage. | n/a | Not anticipated. | $2.2 million | |
| | | | n/a | n/a | Presentation of the 2010 tourism benefits to over 2,000 stakeholders. | Tourism BC continues to work with the Ministry of SBED and tourism stakeholders on a long-term 2010 tourism strategy. |
| Media Relations | Continue to build awareness of British Columbia's tourism product with key media. | Equivalent dollar value of unpaid editorial coverage worldwide. | $203.6 million | $67 Million* | $156 million | Breakdown of total is: $2.2 million from Europe, $87.0 million from Asia/Pacific, and $66.8 million from North America. |
| | | Number of North American media representatives supported. | 2,055 | 1,300* | 2,622 | Over $50.0 million is directly attributed to our success in attracting Japanese television shows to be shot in BC. |
| | | Number of North American travel media events attended. | 16 | 7* | 16 | Concerns due to international conditions and awareness of Vancouver 2010 helped generate more interest in British Columbia travel experiences by media. |
| | | | | * targets set prior to 2002/03 results. | | |

***Goal 2:*** ***Provide travel information and services for tourists which encourage initial and repeat visitation, longer stays, and extended travel throughout the province.***

| Program/ Activity | Objectives/ Strategies | Measures | Performance | | | |
|---|---|---|---|---|---|---|
| | | | 2002/03 Results | 2003/04 Target | 2003/04 Results | Comments |
| Call Centre customer service and reservations | Continue to build partnerships with inventory providers from across the province to expand selection of products for consumer. | Number of properties on the system. | 665 | 700 | 622 | Marginal properties did not renew membership. |
| | | Number of incoming calls. | 225,000 | 225,000 | 180,000 | Experienced 20% decline in call volume primarily due to SARS and wildfires. |
| | | Revenue per minute. | $7.48 | $7.50 | $7.29 | Industry reduced accommodation rates. |
| | Maintain current customer service levels. | Number of reservations. | 42,000 | 42,000 | 35,000 | While overall industry call volume was down by 20%, Tourism BC reservations were only down 16% due to stronger conversion. |
| | | Conversion of callers to bookers. | 18.7% | 20% | 19.4% | |
| | | Commission revenue. | $731,000 | $730,000 | $725,000 | Commission revenue down only 1% due to increase in length of stay per reservation from 1.6 to 1.9 nights. |
| *HelloBC*® .com | Increase visitation and bookings to our *HelloBC*® .com website. | Number of unique visitors to website. | 540,000 | 500,000 | 733,000 | Booking results have been impacted by worldwide events such as SARS, the Iraq War, wildfires and airline capacity. |
| | | Number of bookings through website. | 4,300 | 5,040 | 3,667 | |
| *British Columbia Magazine* | Revitalize the Magazine as a key British Columbia tourism marketing product and continue to build profits for marketing reinvestment. | Circulation. | 133,618 | 130,000 | 127,650 | Circulation down slightly, but advertising revenues up to 10% of total, from 4% in 2002/3. |
| | | Gross sales. | $2.60 million | $2.85 million | $2.65 million | |
| Accommodation program | Maintain participation in all accommodation programs. | Approved Accommodation Guide revenues. | $1.16 million | $1.10 million | $1.36 million | Introduction of online listings towards end of fiscal 2003/4 produced incremental revenue. |

| Program/ Activity | Objectives/ Strategies | Measures | Performance | | | |
|---|---|---|---|---|---|---|
| | | | 2002/03 Results | 2003/04 Target | 2003/04 Results | Comments |
| Other publications | Publish and distribute tourism related publications (Vacation Planner and Outdoor Adventure Guide) at 100% cost recovery. | Number of Vacation Planners distributed. | 270,000 | 270,000 | 260,000 | Challenging economic environment resulted in decline in advertising sales revenue. Production costs were reduced accordingly. |
| | | Number of Outdoor Adventure Guides distributed. | 140,000 | 140,000 | 130,000 | |
| | | Advertising revenues ($000s) | $520 | $500 | $424 | Measure changed from net to gross sales to reflect reporting in financial statements |

***Goal 3:*** ***Implement programs which provide an assurance to the visitor that acceptable standards are available, and encourage operators to enhance the quality of their products.***

| Program/ Activity | Objectives/ Strategies | Measures | Performance | | | |
|---|---|---|---|---|---|---|
| | | | 2002/03 Results | 2003/04 Target | 2003/04 Results | Comments |
| Visitor Info Centres (VIC) | Develop activities and programs that result in a quality one-stop, full-service experience for the visitor. | Quality Survey: visitor expectations met or exceeded. | n/a | 85% | 83% | Due to difficult market conditions overall visitation to the province was down 3.2%. |
| | | Number of visitors served. | 3.12 million | 3.2 million | 3.0 million | |
| Accommodation | Carry out property inspection program. | Regular inspections | 504 | 591 | 1270 | Regular level of inspections reinstituted to ensure quality control throughout the province. |
| | | Canada Select | 316 | 364 | 384 | Subscription to Camping Select has not been as active as anticipated. National committee is reviewing the program and marketing support. |
| | | Access Canada | 3 | 5 | 5 | |
| | | Camping Select | 17 | 20 | 4 | |
| | | Green Leaf | 10 | 20 | 15 | |

***Goal 4:*** ***Foster the development of an industry that is professional, well-trained, and provides quality services to visitors from around the world.***

| Program/ Activity | Objectives/ Strategies | Measures | Performance | | | |
|---|---|---|---|---|---|---|
| | | | 2002/03 Results | 2003/04 Target | 2003/04 Results | Comments |
| Training Services: *SuperHost*® program | Work with sponsoring organizations to increase participation in *SuperHost Face-to-Face*® and *Frontline Management Solutions*® programs. | Number of participants trained. | 17,000 | 20,000 | 21,100 | Worked creatively with new corporate partners to increase participation and revenues, including workbook sales. |
| | | Gross sales ($000s). | $277 | $280 | $317 | Reporting measurement changed from net cost of program to gross sales, to reflect reporting in financial statements. |
| Industry Development | Identify cultural tourism opportunities and assist in their development. | Number of sector organizations that Tourism British Columbia is involved with. | 4 | 5 | 5 | Sector organizations: BC Agritourism Alliance, BC Cuisine & Tourism Society, BC Garden-Inspired Tourism, Dive Industry Association of BC, and the Aboriginal Tourism Association of BC. |
| | Facilitate the development of self-sustaining sector associations. | Number of operators participating in workshops. | 0 | 200 | 450 | |
| | Continue to develop educational materials/workshops to assist individual operators. | Book and workshop sales. | $7,600 | $6,000 | $36,700 | Attendance and revenue helped through strong support from Vancouver Coast & Mountains members. |

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***Goal 5:*** ***Undertake research on the size and growth of the industry, and provide analysis of issues impacting development of the industry for use by government agencies and industry organizations.***

| Program/ Activity | Objectives/ Strategies | Measures | Performance | | | |
|---|---|---|---|---|---|---|
| | | | 2002/03 Results | 2003/04 Target | 2003/04 Results | Comments |
| Research Publications | Produce and distribute a portfolio of research information both in print and on the corporate website to the tourism industry, including an annual Tourism Outlook, the Value of Tourism and market regional and sector profiles. | Publish Tourism Indicators. | 8 issues | 8 issues | 12 issues | Plus quarterly (4) issues of Tourism Indicators Commentaries. |
| | | Customs data entry produced. | Monthly | Monthly | Monthly | |
| | | Tourism Outlook, Value of Tourism. | Published Feb. 2003 | Annually | Published Mar. 2004 | Value of Tourism delayed to June, 2004. Delay in receiving data from BC Stats. |
| Corporate | Conduct research to support Tourism British Columbia programs, planning and evaluation. | Corporate Stakeholder Survey results. | 3.86 (out of 5) | 3.5 | 3.94 | Highest stakeholder satisfaction response to date. |
| Tourism Industry Performance Monitoring | Maintain and enhance sector tracking information through partnerships. | Build additional sector tracking information. | Monthly commercial accommodation survey maintained at 85 participants. | Expand DMO accommodation and attraction projects by 2 Centres. | Monthly commercial accommodation survey maintained at 85 participants. | DMO accommodation survey transitioned to on-line survey; expansion in negotiation with 2 city DMOs. |

***Goal 6:*** ***Pursue opportunities to generate incremental revenue through program activities, and leverage resources of the tourism industry and non-traditional partners to ensure resources are available to achieve the organization's objectives.***

| Program/ Activity | Objectives/ Strategies | Measures | Performance | | | |
|---|---|---|---|---|---|---|
| | | | 2002/03 Results | 2003/04 Target | 2003/04 Results | Comments |
| Leveraging of marketing funds | Partner with the Canadian Tourism Commission, DMOs and other tourism businesses to increase our market exposure. | Ratio of partner contributed funds to Tourism British Columbia funds. | North America 1.2:1<br>Overseas 5:1 | North America 1.3:1<br>Overseas 3:1 | North America 1.2:1<br>Overseas 6:1 | The increased overseas ratio can be attributed to a larger CTC European program as well as additional partnering in South Korea and Japan. WED funds also contributed to more partnered co-op advertising. |
| *Discover Camping*® program | Maintain revenue contribution from the *Discover Camping*® program by supporting lower cost web bookings. | Percentage of web bookings.<br>Gross revenues ($000s). | 43%<br>$968 | 50%<br>$940 | 55%<br>$897 | Continued growth towards web bookings despite overall decline in revenues due to wildfires. |
| Merchandise sales | Increase revenue at Tourism British Columbia Visitor Info Centres, while promoting British Columbia through relevant merchandise. | Gross merchandise revenues (000s). | $452 | $186 | $234 | Revenue down from 02/3 due to change to royalty model at two VICs (net profit up 3.2% over previous year). |

***Goal 7:*** ***Maintain excellence in service to stakeholders (industry, government agencies, internal staff, etc.).***

| Program/ Activity | Objectives/ Strategies | Measures | Performance | | | |
|---|---|---|---|---|---|---|
| | | | 2002/03 Results | 2003/04 Target | 2003/04 Results | Comments |
| Corporate Services | Maintain the integrity of the financial system through a thorough system of controls, and continue to provide financial reports to key decision makers. | Unqualified Audit report.<br>Number of audit management letter points.<br>Financial statements and forecasts provided to board and Treasury Board staff. | Unqualified report.<br>3<br>Quarterly, within 21 days of quarter end. | Unqualified report.<br>4 or less<br>Quarterly, within 21 days of quarter end. | Unqualified report.<br>1<br>Quarterly within 21 days of quarter end. | 2003/4 was Tourism BC's sixth year in a row of clean, unqualified audits. |
| Human Resource Development | Continue to instill a values-based and productive corporate culture. | Engaged employees (survey).<br>Employee absence rate.<br>Employee turnover rate.<br>Number of grievances. | 4.0 out of 5<br>1.16%<br>4.7%<br>0 | n/a<br>2% or lower<br>5% or lower<br>2 or lower | n/a<br>1.90%<br>2.74%<br>0 | Bi-annual survey will be conducted again in 2004/5.<br>When adjusting for long term absences (surgery, etc), figure is 1.17% |

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# FINANCIAL REPORT

## MANAGEMENT DISCUSSION AND ANALYSIS

**Results of Operations last 5 years:**

| $000s | 99/00 | 00/01 | 01/02 | 02/03 | 03/04 |
|---|---|---|---|---|---|
| Hotel room tax | 21,751 | 24,025 | 23,720 | 24,511 | 24,200 |
| Program and other income | 5,105 | 5,344 | 11,345 | 8,151 | 8,012 |
| Government contribution | - | - | - | 2,000 | 750 |
| **Total Revenue** | **26,856** | **29,369** | **35,065** | **34,662** | **32,962** |
| | | | | | |
| Advertising and promotion | 11,148 | 12,022 | 12,540 | 14,317 | 17,115 |
| Visitor servicing and sales | 9,149 | 10,725 | 11,252 | 11,710 | 12,268 |
| Marketing development | 2,620 | 2,762 | 2,722 | 2,518 | 1,143 |
| British Columbia Magazine | - | - | 2,436 | 2,557 | 2,647 |
| Administration and governance | 3,127 | 2,834 | 2,571 | 2,879 | 3,090 |
| Amortization, marketing technology | 444 | 657 | 783 | 490 | 312 |
| Write-down of intangible asset | - | - | 4,000 | - | - |
| **Total Expenses** | **26,488** | **29,000** | **36,304** | **34,471** | **36,575** |
| **Net revenue (expenses)** | **368** | **369** | **(1,239)** | **191** | **(3,613)** |
| Closing net equity | 6,762 | 7,130 | 7,499 | 7,618 | 4,005 |
| Capital – marketing technology | 883 | 521 | 434 | 227 | 2,460 |
| Full-time equivalents | 88 | 91 | 108 | 105 | 108 |

**Overview of the external business and policy environment affecting financial operations**

Hotel tax revenue is the corporation's primary source of funding (Tourism British Columbia receives 1.65 points of the 8% hotel tax). In the 2003/04 Service Plan, Tourism British Columbia established a budgeted deficit of $0.8 million based on anticipated hotel tax growth of 4%. The cumulative impacts of SARS, mad cow disease, the war in Iraq and interior region forest fires forced management to revise hotel revenue forecasts down by $1.7 million from $25.2 million to $23.5 million. Program revenues were also negatively impacted by a further $0.3 million. To offset the decline of all revenues, management responded by cutting $2.0 million in planned program expenditures from the operating budget. Budgeted expenditures for the year were also adjusted to include funding for marketing projects that were not completed in the previous year and carried forward to 2003/04. This led to a revised budget deficit of $3.5 million, which was funded from the previous year's budget surplus.

Tourism British Columbia operates under a five-year fiscal framework. It has been an approved financial policy of the Board of Directors, reflected in Service Plans since inception, to budget spend levels in excess of annual revenues by drawing from net equity, while maintaining a minimum of $1 million in equity to protect the corporation in the event hotel tax receipts are considerably less than expected.

In January, 2004, the corporation was instructed by Treasury Board to balance its budget for 2004/05, meaning budget surpluses from previous years were no longer accessible. As a result, the corporation took steps to reduce the resulting impacts on tourism partners and programs, particularly in the regions, by initiating planned 2004/05 activities in March, 2004 allowing the corporation to meet its obligations while adhering to its budget target for 2003/04. Prior to the treasury Board directive, the corporation had been able to implement marketing programs when required by carrying forward unspent funds from surpluses of prior years.

**Assessment of results of operations and changes in financial conditions**

Summary of 2003/04 Board approved budget revisions against actual results:

| *$ millions* | Service Plan | 2002/03 carry forward | Revenue decline (summer) | Government Contribution | Hotel tax increase (4th quarter) | Revised Budget | Audited results | Variance |
|---|---|---|---|---|---|---|---|---|
| *Note:* | | *a* | *b* | *c* | *d* | | | *e* |
| Revenue | 32.8 | | (2.0) | 0.7 | 0.9 | 32.4 | 32.9 | 0.5 |
| Expenses | 33.6 | 2.5 | (2.0) | 0.9 | 0.9 | 35.9 | 36.5 | (0.6) |
| Net | (0.8) | (2.5) | - | (0.2) | - | (3.5) | (3.6) | (0.1) |

*a* *Board approved $2.5 million carry forward of unspent 2002/03 budget for marketing activities delayed from March, 2003 to 1st quarter of 2003/04 due to the Iraq War.*

*b* *Revenue forecast revised down $2.0 million (due to war, SARS, wild fires) and expenses cut by similar amount.*

*c* *Tourism British Columbia received a $750,000 contribution from Ministry of Small Business and Economic Development which was spent directly on specific marketing activities. In addition, the Corporation spent a further $150,000 for forest fire relief at request of the ministry.*

*d* *4th quarter hotel tax returned to positive growth. Board authorized additional marketing spend.*

*e* *Revenue variance due to accounting restatement of program revenues to a gross basis, with same offsetting increase to expenses. Additional $100,000 over budget due to unanticipated adjustment to future employee retirement benefit based on the Province's revised policy subsequent to year end.*

Hotel tax revenue was $24.2 million, a reduction of 1.2% from the previous year. The corporation's operating deficit for 2003/04 was $3.6 million, slightly exceeding the budget of $3.5 million.

Total program revenues were down less than 2% from 2002/03. Reservation commissions were down 6.5% resulting from overall decreased call volumes in the industry. Publication revenues experienced a 4.0% increase largely due to the introduction of online listings for accommodation properties in the 4th quarter. The corporation shifted from a retailer model to a more efficient royalty model in two of its Visitor Info Centres, causing a drop in merchandise gross revenues of nearly 50%, but net profit was up slightly. Training Services and British Columbia Magazine revenues were also up, by 14% and 2%, respectively.

Advertising and promotion activities increased by $2.8 million and represented 48% of corporate expenditures (41.5% in 2002/3). This increase was largely attributable to a carry forward of unspent marketing funds from 2002/3. Visitor servicing and sales costs were up $0.5 million due to a timing

switch of Visitor Info Centre payments from fiscal year to calendar year basis. Administration and governance costs remained at 8.4% of corporate expenses.

Capital spending was $2.5 million, primarily on development costs of a new destination marketing system to provide online information on attractions, activities, events and accommodation, as well as real-time bookings.

**Risks, and Uncertainties and Future Outlook**

Tourism British Columbia's primary funding source is the hotel tax, which is largely affected by events outside of the organization's control. Consequently, corporate income is subject to the risk of any significant downturn in accommodation revenues. Since hotel tax revenue is reported and transferred to Tourism British Columbia two months after it is earned, the corporation will be challenged to manage to a balanced budget for 2004/05. However, Tourism British Columbia has a well documented record of strong financial management and is committed to balance revenues and expenditures in the upcoming year.

Tourism British Columbia's 2004/05 Service Plan, published in January 2004, forecast the following budget targets:

| ($ 000s) | 2004/05 | 2005/06 | 2006/07 |
|---|---|---|---|
| **Revenue** | | | |
| Hotel room tax | $ 24,500 | $ 25,700 | $ 26,900 |
| Tax revenue allowance | 206 | - | - |
| Provincial government contribution | - | - | - |
| Program sales | 7,837 | 8,205 | 8,546 |
| Investment income | 95 | 80 | 80 |
| | **32,638** | **33,985** | **35,526** |
| **Marketing activities** | | | |
| Advertising and promotion | 14,507 | 14,911 | 15,834 |
| Visitor servicing and sales | 11,100 | 11,433 | 11,776 |
| Marketing development | 3,700 | 3,774 | 3,887 |
| Amortization, marketing technology | 1,025 | 1,515 | 1,630 |
| | 30,332 | 31,633 | 33,127 |
| Administration and governance | 2,306 | 2,352 | 2,399 |
| | **32,638** | **33,985** | **35,526** |
| **Net operating income (loss)** | - | - | - |
| Capital - marketing technology | $ 3,279 | $ 365 | $ 419 |
| FTEs | 108 | 111 | 111 |

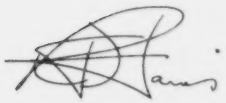
## Management's Report

The financial statements of Tourism British Columbia for the year ended March 31, 2004 have been prepared by management in accordance with Canadian generally accepted accounting principles. These financial statements present fairly the consolidated financial position of Tourism British Columbia as at March 31, 2004 and the consolidated results of operations and changes in cash flows for the year then ended.

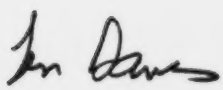
Management is responsible for the preparation of the financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records provide reliable information for the preparation of financial statements.

The Board of Directors carries out its responsibility for the review of the financial statements. The Board meets with management and the external auditor to discuss the results of audit examinations and financial reporting matters. The external auditor has full access to the Board, with and without the presence of management.

The Auditor General of British Columbia has performed an independent audit of the financial statements of Tourism British Columbia. The Auditor's report outlines the scope of his examination and expresses an opinion on the statements of Tourism British Columbia.



Rod Harris
President and Chief Executive Officer
Tourism British Columbia



Len Dawes, CA
Chief Financial Officer
Tourism British Columbia

May 26, 2004

# Report of the Auditor General of British Columbia

To the Members of the Board of Directors
of *Tourism British Columbia*, and

To the Minister of Small Business and Economic Development,
Province of British Columbia

I have audited the consolidated statement of financial position of *Tourism British Columbia* as at March 31, 2004 and the consolidated statements of operations and net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of *Tourism British Columbia* as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Wayne Strelioff

*Victoria, British Columbia*
*May 26, 2004*

Wayne Strelioff, FCA
Auditor General

## TOURISM BRITISH COLUMBIA
## STATEMENT OF CONSOLIDATED FINANCIAL POSITION

(in $000s)

| March 31, | 2004 | 2003 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and short term investments (Note 3) | **3,107** | 11,073 |
| Accounts receivable | | |
| Province of British Columbia | **3,087** | 2,266 |
| Other | **1,872** | 989 |
| Loan receivable (Note 5) | **110** | 50 |
| Inventories | **137** | 109 |
| Prepaid | **418** | 414 |
| | **8,731** | 14,901 |
| **Intangible assets (Note 7)** | **1,578** | 1,578 |
| **Capital assets (Note 6)** | **2,897** | 748 |
| | **13,206** | 17,227 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Accounts payable | | |
| Province of British Columbia | **190** | 239 |
| Other | **6,297** | 7,057 |
| Deferred revenue | **2,185** | 1,943 |
| | **8,672** | 9,239 |
| **Long term liabilities (Note 8)** | **529** | 370 |
| | **9,201** | 9,609 |
| **NET ASSETS** | **4,005** | 7,618 |
| | **13,206** | 17,227 |

Commitments (Note 9)

Approved on behalf of the Board:

Board Chair

Director

The accompanying notes are an integral part of these financial statements.

## TOURISM BRITISH COLUMBIA
### STATEMENT OF CONSOLIDATED OPERATIONS AND NET ASSETS

(in $000s)

| Year ended March 31 | 2004 | 2003 |
|---|---|---|
| **Revenues** | | |
| Hotel room tax | **24,200** | 24,511 |
| Program revenue (Note 12) | **7,806** | 7,937 |
| Investment and miscellaneous income | **206** | 214 |
| Province of British Columbia contribution | **750** | 2,000 |
| | **32,962** | 34,662 |
| **Expenses** | | |
| Advertising and promotion | **17,115** | 14,317 |
| Visitor servicing and sales | **12,268** | 11,710 |
| Marketing development | **1,143** | 2,518 |
| British Columbia Magazine | **2,647** | 2,557 |
| Amortization | **312** | 490 |
| General and administration | **3,090** | 2,879 |
| | **36,575** | 34,471 |
| **(Deficiency) excess of revenues over expenses** | **(3,613)** | 191 |
| **Net assets, beginning of year** | **7,618** | 6,260 |
| **Contributed assets (Note 10)** | **0** | 1,167 |
| **Net assets, end of year** | **4,005** | 7,618 |

The accompanying notes are an integral part of these financial statements.

## TOURISM BRITISH COLUMBIA
### STATEMENT OF CONSOLIDATED CASH FLOWS

(in $000s)

| Year ended March 31 | 2004 | 2003 |
|---|---|---|
| **Operating activities** | | |
| Net revenue | (3,613) | 191 |
| Items not involving cash | | |
| Accounts receivable | (1,764) | 1,065 |
| Inventories | (28) | 151 |
| Prepaid expenses | (4) | (151) |
| Accounts payable and accrued liabilities | (810) | 1,141 |
| Amortization of marketing technology | 312 | 490 |
| Deferred revenue | 242 | (186) |
| Cash flows (used in) from operating activities | (5,665) | 2,701 |
| **Investing activities** | | |
| Additions to capital assets | (2,460) | (227) |
| Cash flows (used in) investing activities | (2,460) | (227) |
| **Financing activities** | | |
| Long term liabilities | 159 | (11) |
| Cash flows from (used in) financing activities | 159 | (11) |
| **Net (decrease) increase in cash** | (7,966) | 2,463 |
| **Cash and short term investments at beginning of year** | 11,073 | 8,610 |
| **Cash and short term investments at end of year** | 3,107 | 11,073 |

The accompanying notes are an integral part of these financial statements.

## TOURISM BRITISH COLUMBIA
### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**March 31, 2004**
(tabular amounts in $000s)

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### 1. Authority and purpose

Tourism British Columbia (the Corporation) is a provincial Crown corporation established by the *Tourism British Columbia Act* on June 27, 1997. The purpose of the Corporation is to promote development and growth in the tourism industry, to increase revenue and employment in the industry throughout British Columbia and to increase the economic benefits generated by the industry.

Under the *Tourism British Columbia Act*, Tourism British Columbia is entitled to the net revenue collected under section 3.1 of the *Hotel Room Tax Act*.

The Corporation is exempt from federal and provincial income taxes and from the federal goods and services tax.

### 2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

( a) Basis of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary 595195 BC Ltd. (British Columbia Magazine). All significant inter-company transactions and balances have been eliminated.

( b) Short term investments

Short term investments consist of units in the Province of British Columbia Pooled Investment Portfolios. Units are carried at the lower of cost adjusted by income attributed to the units, and market value. Income attributed to the units represents the unitholder's share of the interest earned by the Portfolio and may be realized upon the sale of units.

( c) Revenue recognition

Hotel room tax revenue is recognized in the period that consumers are charged the tax on their accommodation by the provincial government.

Program revenues are recognized in the period services are rendered.

Subscription revenues in the *British Columbia Magazine* operations are deferred and recognized as the magazine is published.

( d) Intangible assets

Intangible assets are reviewed each year to determine if there is any impairment in value. A write down to fair value is recorded if there has been any impairment.

( e) Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives. Estimated useful lives are as follows:

| | |
|---|---|
| Computer software | 2 years |
| Computer equipment | 3 years |
| Destination management system | 5 years |
| Furniture and equipment | 5 years |
| Vehicles | 5 years |
| Leasehold improvements | Term of lease |
| Trademarks | 20 years |

Assets costing less than $500 are expensed in the year of purchase.

( f) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Supplies inventories are valued at cost.

( g) Related parties

Tourism British Columbia is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities, considered to be in the normal course of operations, are recorded at the exchange amounts.

( h) Foreign currency translation

Any foreign currency transactions are translated into Canadian dollars at the rate of exchange in effect at the transaction date. Any foreign currency denominated monetary assets and liabilities are stated using the prevailing rate of exchange at the balance sheet date.

## 3. Cash and short term investments

| | 2004 | | 2003 | |
|---|---|---|---|---|
| | **Cost** | **Market** | Cost | Market |
| Cash | **3,107** | **3,107** | 6,938 | 6,938 |
| Short term investments | **0** | **0** | 4,143 | 4,135 |
| | **3,107** | **3,107** | 11,081 | 11,073 |

Cash includes $247,000 held in trust for payment of property purchase tax relating to the transfer of the donated land and improvements described in note 13.

## 4. Financial instruments

The Corporation's financial instruments consist of cash held in its various bank accounts, accounts receivable, accounts payable and long term liabilities. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risk arising from these financial instruments.

## 5. Loan receivable

Tourism British Columbia has extended two loans totaling $110,000 to Adventure Management Ltd., the contracted service provider that operates the Coquihalla and Mt. Robson Visitor Information Centres on behalf of Tourism British Columbia. The purpose of these loans is to support the implementation of a royalty model for merchandise sales at the Visitor Information Centres by providing financing for the purchase of inventory for resale. Interest on these loans is currently calculated at 5% per annum, payable monthly, with the principle due upon termination of the contract.

## 6. Capital assets

| | 2004 | | | 2003 |
|---|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | **Net Book Value** | Net Book Value |
| Destination management system | 2,710 | 630 | **2,080** | 7 |
| Computer equipment | 1,361 | 1,332 | **29** | 60 |
| Computer software | 370 | 368 | **2** | 25 |
| Furniture and equipment | 592 | 425 | **167** | 93 |
| Leasehold improvements | 464 | 217 | **247** | 242 |
| Trademarks | 413 | 46 | **367** | 307 |
| Vehicle | 23 | 18 | **5** | 14 |
| | **5,933** | **3,036** | **2,897** | 748 |

## 7. Intangible asset

This intangible asset is the subscriber list of British Columbia Magazine (formerly Beautiful BC Magazine). The estimated fair value of the subscriber list is $1,578,099 and is based on management's projection of the magazine's operating cash flows as at March 31, 2003 with no estimated impairment in value as at March 31, 2004.

## 8. Long term liabilities

| | **2004** | **2003** |
|---|---|---|
| Employee leave liability | **399** | 454 |
| Less: Current portion | **(70)** | (174) |
| | **329** | 280 |
| Employee future post-retirement benefits | **200** | 90 |
| | **529** | 370 |

## 9. Commitments

The future remaining commitments for contracted program costs and office space leases are:

| | |
|---|---|
| 2004/5 | 4,534 |
| 2005/6 | 838 |
| 2006/7 | 693 |
| 2007/8 | 709 |
| 2008/9 and beyond | 2,823 |
| | 9,597 |

## 10. Contributed assets

Contributed assets represents transfers from the Province of British Columbia of assets and liabilities accumulated by the Special Operating Agency - Tourism BC, prior to the formation of the Corporation. The board of directors has authorized transfer of contributed assets to unappropriated net assets in fiscal 2004.

## 11 Employee benefit plans

Employee future pension benefits

The Corporation and its employees contribute to the Public Service Pension Plan in accordance with *the Public Sector Pension Plans Act*. The Plan is a multi-employer, defined benefit plan. On behalf of the employers, the British Columbia Pension Corporation administers the Plan, including payment of pension benefits to employees to whom the Act applies.

The most recent actuarial valuation (March 31, 2002) has determined that the plan is in a surplus position. Effective January 1, 2001, the Public Service Pension Plan's management changed to a joint trusteeship where the management, risks and benefits are shared between employees and employers. Previously these matters were the sole responsibility of the Province of British Columbia.

Employee future post-retirement benefits

Obligations for employee retirement allowances are detailed in the Corporation's collective agreement. The Corporation has accrued the estimated costs of these benefits, and has adopted the policy on a prospective basis with no retroactive restatement of prior year amounts. The amount accrued during the 2003/4 fiscal year was $200,401 (2002/3 - $89,678) and is included in long term liabilities

Employee pension - UK

Tourism British Columbia implemented a defined contribution pension plan for staff working in the United Kingdom in fiscal 2004. Staff contribute 5% of their base salary with a matching amount contributed by Tourism British Columbia. The pension plan is administered by Thomson's Wealth Management, a contracted pension administrator located in the UK

| 12. Program revenue | 2004 | 2003 |
|---|---|---|
| Publications | | |
| British Columbia Magazine | **2,654** | 2,602 |
| Accommodation Guide | **1,363** | 1,173 |
| Vacation Planner | **258** | 383 |
| Outdoor & Adventure Guide | **166** | 137 |
| | **4,441** | 4,295 |
| Commission fees | | |
| Discover Camping | **897** | 968 |
| SNBC call centre | **725** | 731 |
| BC Escapes | **342** | 455 |
| Visitor Info Centres | **530** | 515 |
| | **2,494** | 2,669 |
| Training Services | **317** | 278 |
| Merchandise sales and royalties | **234** | 452 |
| Inspections | **170** | 164 |
| Miscellaneous | **150** | 79 |
| | **7,806** | 7,937 |

**13. Subsequent event**

On May 11, 2004, Trans Canada Trail Foundation donated land and improvements to Tourism British Columbia with an estimated fair market value of $14,260,842 (land $6,903,682; improvements $7,357,160). The land and improvements are former rail corridors converted to recreational trail use in located in south eastern British Columbia.

**14. Comparative amounts**

Certain comparative figures in the financial statements have been restated to conform with the current year presentation.

## CORPORATE GOVERNANCE

Tourism British Columbia became a Crown corporation when the *Tourism British Columbia Act* was passed by the British Columbia legislature in June 1997. The *Act* was retroactive to April 1, 1997 and established the basis of corporate governance. As of January, 2004, the Minister of Small Business and Economic Development is responsible for Tourism British Columbia.

In fulfilling its responsibilities under the *Act*, at a special meeting of Tourism British Columbia's Board of Directors held October 6, 1997, the Board determined that it would function as a policy Board, with responsibility for achieving results delegated to the CEO. The Board provides final approval for matters concerning planning, budget, financial reporting and policy, human resource policy and performance measures. They are also involved in approving within the Business Plan items such as material capital purchases, leases and major repairs. The full Board meets quarterly and there are six standing Advisory Committees that also meet a minimum of once a quarter. The committees are the Executive Committee, Corporate Services Committee, Business Development Committee, Marketing & Sales Committee, Tourism Operations Committee and the Olympics Committee.

The CEO and staff are responsible for all day-to-day operations including the development and implementation of the annual Business Plan, the determination of an annual operating budget and the assignment of staff.

## 2003/4 BOARD OF DIRECTORS

**Michael Duggan,** *Chair*

Michael Duggan was appointed to the Board of Tourism British Columbia in 1999 and became Chair in April 2001. He is currently the General Manager of the Nita Lake Lodge in Whistler, and previously he was the General Manager of the Pan Pacific Whistler from December 2000 to December 2003. Other experience includes positions at Sun Peaks Resort and 19 years at Silver Star Mountain Resort. He is also Marketing Chair of Canada West Ski Areas Association.

**Beth Campbell,** *Vice-Chair*

Beth Campbell was appointed to the Board in April 2000 and was elected Vice-Chair in April 2002. She is the owner of Best Western Inn at Penticton and a Governor for Best Western International. She is a former Mayor of the City of Penticton and is a past president of the Penticton Hotel Association and the Penticton Chamber of Commerce.

**Peter Armstrong**

Peter Armstrong was appointed to the Board in 1999. He is President and CEO of the Great Canadian Railtour Company Limited, previously a chair of Tourism Vancouver and a Board Member of the World Tourism & Travel Council, Canadian Tourism Commission, Versacold and Pacific Insight Electronics Corporation.

**Frank Bourree**

Frank Bourree was appointed to the Board in April 2001 and is the Business Consulting Partner for Grant Thornton LLP's Business Consulting Services division in Victoria. He has over 25 years of personal and professional experience in the tourism and hospitality industry and is widely recognized as an expert advisor to the accommodation and food and beverage sectors.

**Kelley Glazer**

Kelley Glazer was appointed to the Board in April 2001. Director of Sales and Marketing for the Ramada Hotel Downtown in Prince George, she has served as President of the Northern British Columbia Tourism Association and as a Director of the Council of Tourism Associations of British Columbia. Currently, she is a Director for the Northwest Corridor Development Corporation.

**Patrick Kelly**

Patrick Kelly was appointed to the Board in 1999. He was the Regional Vice President of Fairmont Hotels & Resorts and General Manager of the Fairmont Hotel Vancouver until 2004. In addition, he was previously a chair of Tourism Vancouver and a past board member of the Vancouver Board of Trade. Mr. Kelly's term ended March 31, 2004.

**April Moi**

April Moi was appointed to the Board in 2000. She is the Executive Director of the Northern Rockies Alaska Highway Tourism Association in Fort St. John, which is responsible for coordinating and promoting visitor activity within northeastern British Columbia. A past Visitor Info Centre Manager, she is also experienced in festival and event coordination.

**Sue Morhun**

Sue Morhun was appointed to the Board in 2000. She's the Manager of Community and Heritage Services for the Township of Langley, she has promoted the history of British Columbia for more than 25 years and has received several awards for her leadership in heritage preservation and museum studies.

**Stephen Smith**
Stephen Smith was appointed to the Board in April 2000. He is the Owner and General Manager of the Crest Hotel in Prince Rupert, and former director of the British Columbia & Yukon Hotels' Association. In addition, he was previously a president of the Northern British Columbia Tourism Association and Tourism Prince Rupert.

**Kevin Walker**
Kevin Walker was appointed to the Board in April 2000. He is President and General Manager of Victoria's Oak Bay Beach Hotel and Marine Resort and of Pride of Victoria Cruises & Tours. He is also past president of the Council of Tourism Associations of British Columbia and the British Columbia & Yukon Hotels' Association. Mr. Walker's term expired March 31, 2004.

**Nick Worhaug**
Nick Worhaug was appointed to the Board in July 1997. He is Canadian Director, H.E.R.E. International Union and a member of the Tourism Human Resource Development Working Group and a member of the People Development for the Tourism Industry Project, part of the BC Tourism Human Resource Task Force.

**John Korenic**
John Korenic was appointed to the Board in March 2002. He is the Aviation Marketing Director for the Vancouver International Airport Authority. He was formerly a Director of Pacific and Europe Alliances for Canadian Airlines International Ltd. and worked with Wardair Canada Inc.

**Charles McDiarmid**
Charles McDiarmid was appointed to the Board in March 2002. He is the Managing Director of the Wickaninnish Inn & Point Restaurant in Pacific Rim National Park. He also served as Tourism Vancouver's Sales Director after working for the Four Seasons Hotel Group in management positions in Calgary, Newport, Seattle, and Washington, D.C.

**Stuart McLaughlin**
Stuart McLaughlin was appointed to the Board in March 2002. He is the President of Grouse Mountain Resorts and Director for the Mountain Experience for the Kicking Horse Mountain Resort. He is currently serving on the Board and Executive of Tourism Vancouver.

**Allen Tozer**
Allen Tozer was appointed to the Board in March 2002. He is currently with Lexlaur Properties Inc. Formerly, he was President of the Thompson Okanagan Tourism Association in 1998, and of its precursor – the Okanagan Similkameen Tourism Association – from 1995 to 1998, after serving five years as a director.

## TOURISM BRITISH COLUMBIA OFFICERS

**Rod J. Harris,** *President and Chief Executive Officer*
Rod Harris was appointed CEO and president of Tourism British Columbia by the Board of Directors upon its establishment as a Crown corporation in 1997. He has held senior management positions in the private and public sectors, including serving on the Board of the Canadian Tourism.

**Grant Mackay,** *Vice President, Marketing & Sales*
Grant Mackay was appointed vice president of Marketing & Sales in 1997, and is responsible for developing Tourism British Columbia's marketing and sales strategies. He joined Tourism British Columbia in 1995 after 17 years of management experience in the packaged-goods industry.

**Rick Lemon,** *Vice President, Tourism Operations*
Rick Lemon was appointed vice president of Tourism Operations in 1997 and has been with Tourism British Columbia for 26 years. He is responsible for visitor services and sales, tourism product management, research training services. Rick designed the groundbreaking *SuperHost*® training program and has been extensively involved with tourism development throughout British Columbia.

**Don Foxgord,** *Vice President, Business Development*
Don Foxgord was appointed vice president of Business Development in 1997 and is responsible for business development, British Columbia Magazine, corporate communications and industry development. He joined Tourism British Columbia in 1987 after four years as regional manager of the British Columbia Rockies tourism region and he has extensive experience in developing tourism around the province.

**Len Dawes,** *Chief Financial Officer / Executive Director, Corporate Services*
Len Dawes was appointed CFO / executive director of Corporate Services in 1998, and is responsible for Tourism British Columbia's financial, information and administrative systems. Len is a chartered accountant with broad experience in the public, private and not-for-profit sectors.

**Rose Moss,** *Executive Director, Human Resource Development*
Rose Moss was appointed executive director of Human Resources in 2000. She is responsible for developing and implementing Tourism British Columbia's human resource infrastructure, which includes compensation, performance management, career development, recruitment, succession and labour relations. She has extensive HR experience in the private and public sectors.

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## GLOSSARY

*Many of these terms are relevant for the British Columbia tourism industry.*

CICA – Canadian Institute of Chartered Accountants

CTC – Canadian Tourism Commission

DMO – Destination Marketing Organization

DMS – Destination Management System

FIT – Fully Independent Travel

FAM – familiarization tour of tourism product

HRD – Human Resource Development (British Columbia Tourism HRD Task Force)

GAAP – Generally accepted accounting practices

ITB – International Tourism Bourse

RDMO – Regional Destination Marketing Organization

TAWNC – Tourism Association of Western and Northern Canada

TBC – Tourism British Columbia

TIAC – Tourism Industry Association of Canada

TIC – Tourism Industry Conference

WED – Western Economic Diversification

VIC – Visitor Info Centre

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